

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 13 - Teacher Tax Credit (LSB 1404 YH)

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Fiscal Note Version - New

Requested by Representative Jodi Tymeson

Description

House File 13 provides a maximum \$250 per year income tax credit for supply expenses incurred by a teacher. The supplies must be used directly in teaching at an accredited elementary or secondary school in Iowa. The credit is retroactive to tax year 2005 and is not refundable.

Assumptions

1. Approximately 36,000 Iowa teachers could qualify for the tax credit.
2. All teachers with qualified out-of-pocket expenses will claim the credit.
3. Although retroactive to January 1, 2005, the credit will not reduce General Fund receipts until FY 2006.
4. Iowa teachers average the following amounts of out-of-pocket expenses annually:

<u>Percent of Total Teachers</u>	<u>Number of Teachers</u>	<u>Average Out-of-Pocket Expenses</u>	<u>Total Credits Claimed</u>
15.00%	5,400	\$ 50	\$ 270,000
28.00%	10,080	\$ 160	\$ 1,600,000
57.00%	20,520	Greater than \$ 250	\$ 5,130,000
100.00%	36,000		\$ 7,000,000

5. The Local Option School and Emergency Medical Services (EMS) income taxes generate an amount equal to 2.9% of net income tax revenue.

Fiscal Impact

The tax credit provided in HF 13 will reduce net General Fund receipts by an estimated \$7.0 million per year, beginning FY 2006.

The tax credit will also reduce the amount of revenue generated by the Local Option School and EMS income taxes by \$203,000 per year.

Sources

Department of Revenue
Department of Education
Iowa State Education Association Survey

/s/ Holly M. Lyons

March 28, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
